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Director of
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DCO

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National Intelligence Daily

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5 January 1982

State Dept. review completed

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POLAND: Worker Reaction Subdued

Overall industrial activity apparently was sluggish yesterday, although several enterprises in Warsaw appeared busier than at any time since the imposition of martial law. Poland has yet to repay a major share of the interest owed Western banks despite reports that it has the funds to do so. Moscow, meanwhile, has welcomed the EC Foreign Ministers' position on US sanctions but has rejected their criticism of the Polish regime. 25X1

Official media reports on the workday implicitly acknowledged that many enterprises were not functioning at normal levels, claiming that production in Katowice was "on the whole" normal and that "practically all" shipyards in the Gdansk area resumed work. According to the US Embassy, activity seemed especially slow at the large steel mill in Warsaw. The government probably is willing to endure lower levels of activity for a time if it can continue to avoid new strikes. 25X1

The regime still is attempting to convey the impression that it is seeking to ease martial law restrictions as quickly as possible. It announced yesterday that telephone and telex communications will be restored today in 10 rural provinces. The action leaves most of the country without communications, however, including all major industrial centers. 25X1

Polish Debt

There still is no confirmation of press reports that Poland has the $350 million to cover the interest that was due Western banks on 14 December. Although several banks appear to have received some payments beginning in the last week of December, as of yesterday the Poles apparently had not paid the bulk of the amount due. 25X1

If in fact Poland does have the funds, the USSR is the likely source. The Soviets themselves are experiencing a serious hard currency squeeze, but the political and economic advantages of preventing a Polish default might justify the $350 million expenditure. A Soviet move to save Poland from default might encourage West Europeans to maintain a business-as-usual approach toward

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Poland and the USSR. Moreover, it may prevent further damage to the ability of the USSR and the other CEMA countries to obtain credit from the West.

Archbishop Glemp, meanwhile, will meet today with directors of Warsaw's universities in what appears to be an effort to help maintain calm on the university campuses. Some faculty members have expressed concern to US officials that younger university students will organize underground resistance that risks clashes with the police. The government evidently still plans to delay for an indefinite period the return of younger students to the universities.

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EC Meeting

Differences among the EC Foreign Ministers kept them from going beyond announcing disapproval of Polish developments and of Soviet and East European efforts to undermine reform in Poland. In the communique released after their meeting in Brussels, the ministers called on Warsaw to end martial law and resume discussions with the Church and Solidarity and proposed that the CSCE Conference in Madrid reconvene as soon as possible to discuss the Polish situation at the ministerial level.

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The ministers noted but did not voice support for US sanctions against Poland and the Soviet Union. Belgian officials claim French Foreign Minister Cheysson was the chief obstacle to adoption of a position more supportive of the US, while West German Foreign Minister Genscher was willing to accept a stronger communique. Genscher may have felt that others would veto a stronger statement, and saw this as an opportunity to improve West Germany's image in Washington.

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Before the meeting in Brussels, Jaruzelski tried to gain an understanding for martial law during a two-hour session with EC Ambassadors to Warsaw. According to a Western official, Jaruzelski also tried to drive a wedge between the US and its allies and implied that Warsaw is considering the expulsion of Solidarity militants to the West.

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Soviet Response

Initial Soviet reaction to the ministers' meeting was mixed. A radiobroadcast in Moscow noted that the ministers did not go beyond "general promises" not to undermine US sanctions against the USSR and Poland and called for continued humanitarian aid to the Poles. The commentary criticized the EC communique, however, for its interference in Polish internal affairs.

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Izvestiya yesterday carried the strongest Soviet attack yet on France's posture toward Poland, accusing French leaders of attempting to "dictate" to Poland "as if it were a French province." TASS today also cited a Polish television program alleging "close cooperation" between the leaders of the Independent Students Union and "counterrevolutionaries" at the Polish emigre publication, *Kultura*, which is based in Paris.

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